

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF LAKEVIEW	County MONTCALM
Audit Date 2/28/05	Opinion Date 4/7/05	Date Accountant Report Submitted to State: 6/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

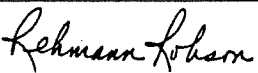
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) REHMANN ROBSON - DOUGLAS J. VREDEVELD. CPA			
Street Address 2330 EAST PARIS AVENUE, SE		City GRAND RAPIDS	State MI
		ZIP 49546	
Accountant Signature 			Date 6/13/05

**VILLAGE OF LAKEVIEW
MONTCALM COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2005

VILLAGE OF LAKEVIEW

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

April 7, 2005

Honorable President and
Members of the Village Council
Village of Lakeview, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Village of Lakeview, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Lakeview, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

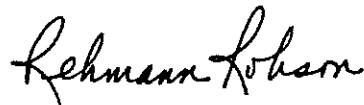
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Lakeview, Michigan as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2005, on our consideration of the Village of Lakeview's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lakeview's basic financial statements. The individual fund schedules, are presented for purposes of additional analysis and are not a required part of the Village of Lakeview's basic financial statements. The individual schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Lehmann Lohman".

Management's Discussion and Analysis

As management of the Village of Lakeview, we offer readers of the Village of Lakeview's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Village's commitment to public safety was supported by over 35% of governmental expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Lakeview's financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Village of Lakeview that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include legislative, general government, public safety, public works, recreation and culture, and airport activities. The business-type activities of the Village include sewer and water services.

The government-wide financial statements include not only the Village of Lakeview itself (known as the *primary government*), but also a legally separate Downtown Development Authority for which the Village is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Lakeview, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street, property replacement and local street funds, each of which are considered to be major funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

Proprietary funds. The Village of Lakeview maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Lakeview uses enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operation, of which both are considered to be major funds of the Village of Lakeview.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-37 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

Combining and individual fund statements and schedules can be found on pages 38-42 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Lakeview, assets exceeded liabilities by \$3,527,979 at the close of the most recent fiscal year.

A significant portion of the Village's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Lakeview Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 927,524	\$ 734,857	\$ 654,564	\$ 630,651	\$1,582,088	\$1,365,508
Capital assets	826,640	1,252,830	2,553,404	2,519,178	3,380,044	3,772,008
Total assets	1,754,164	1,987,687	3,207,968	3,149,829	4,962,132	5,137,516
Long-term liabilities outstanding	6,933	7,715	1,555,000	1,511,000	1,561,933	1,518,715
Other liabilities	17,108	19,665	70,711	71,157	87,819	90,822
Total liabilities	24,041	27,380	1,625,111	1,582,157	1,649,752	1,609,537
Net assets:						
Invested in capital assets, net of related debt	826,640	1,252,830	654,404	964,178	1,781,044	2,217,008
Restricted	228,950	226,034	109,000	109,000	337,950	335,034
Unrestricted	674,533	481,443	518,853	494,494	1,193,386	975,937
Total net assets	\$1,730,123	\$1,960,307	\$1,582,257	\$1,567,672	\$3,312,380	\$3,527,979

Net assets of the Village increased by \$215,599 with the governmental activities showing additions and the business-type activities showing deletions to prior balances. The business-type activities decrease in net assets of \$14,585 was primarily the result of an increase in expenses. The governmental activities increase in net assets of \$230,184.

Village of Lakeview Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenue:						
Program revenue:						
Charges for services	\$113,079	\$ 50,604	\$362,262	\$369,403	\$475,341	\$420,007
Operating	110,579	119,421	-	-	110,579	119,421
Capital grants and contributions	-	137,614	-	-	4,359	137,614
Total program revenue	223,658	307,639	362,262	369,403	585,920	677,042
General revenue:						
Property taxes	231,297	236,536	-	-	231,295	236,536
Other governmental sources	149,388	125,872	-	-	149,388	125,872
Other	5,705	5,906	11,751	9,587	17,456	15,493
Total general revenue	386,390	368,314	11,751	9,587	398,139	377,901
Total revenue	610,048	675,953	374,013	378,990	984,061	1,054,943

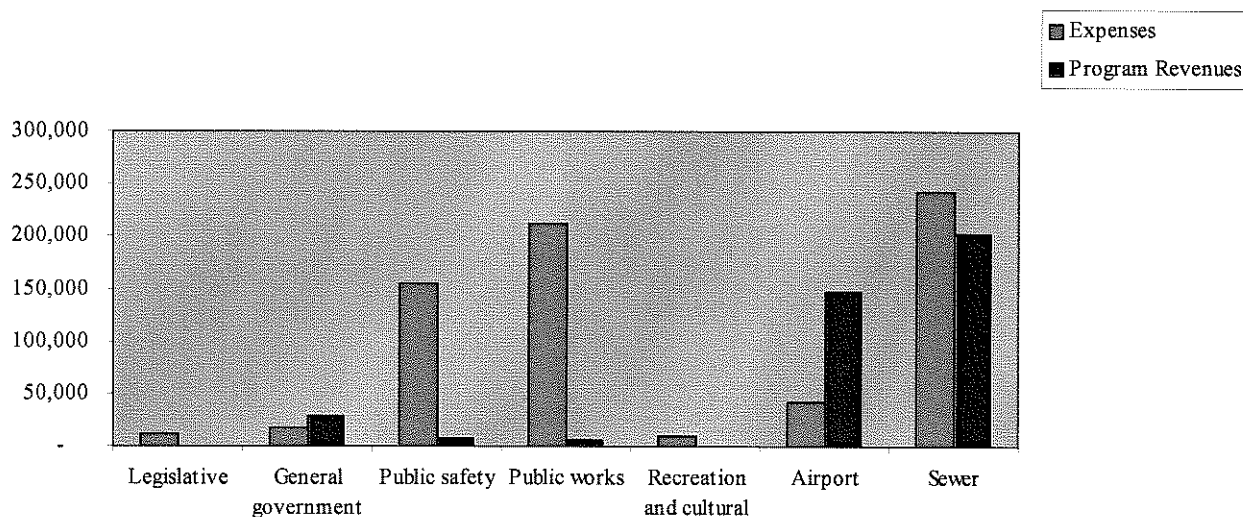
	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Expenses:						
Legislative	\$ 12,373	\$ 10,536	\$ -	\$ -	\$ 12,373	\$ 10,536
General government	50,265	61,589	-	-	50,265	17,169
Public safety	135,771	154,179	-	-	135,771	154,179
Public works	290,933	167,325	-	-	290,933	211,745
Recreation and cultural	10,488	9,211	-	-	10,488	9,211
Airport	42,010	42,929	-	-	42,010	42,929
Sewer	-	-	216,658	243,582	216,658	243,582
Water	-	-	154,356	149,993	154,356	149,993
Total expenses	541,840	445,769	371,014	393,575	912,854	839,344
Increase (decrease) in net assets	68,208	230,184	2,999	(14,585)	71,207	215,599
Net assets - beginning of year	1,661,915	1,730,123	1,579,258	1,582,257	3,241,173	3,312,380
Net assets - end of year	<u>\$1,730,123</u>	<u>\$1,960,307</u>	<u>\$1,582,257</u>	<u>\$1,567,672</u>	<u>\$3,312,380</u>	<u>\$3,527,979</u>

Governmental activities

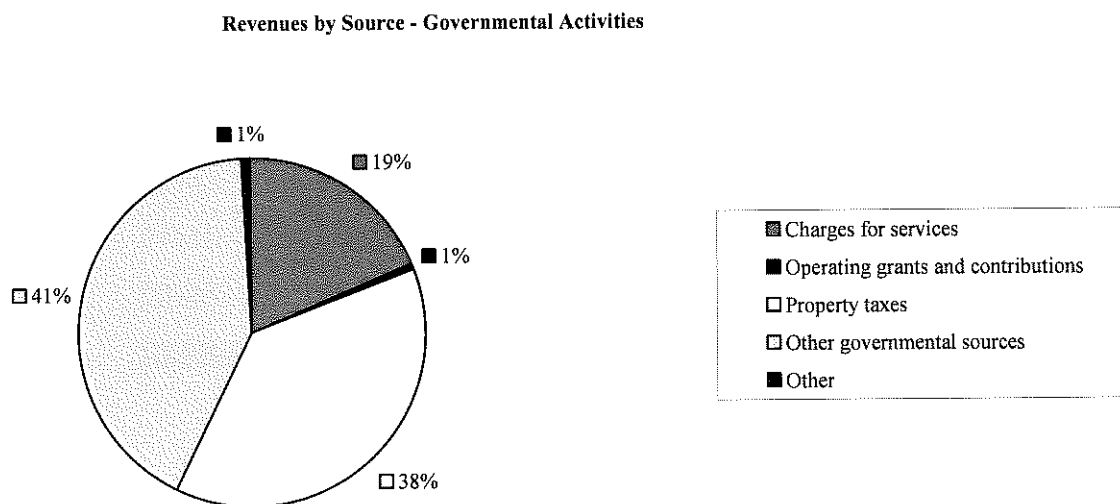
During the year the Village continued its emphasis in public safety by investing \$154,179 or 35% of governmental activities expenses. Public works, which includes major and local street maintenance was \$167,325 or 48% of governmental activities expenses while general government, recreation and cultural and interest on long-term debt made up the remaining 17% of governmental activities expenses.

Expenses and Program Revenues - Governmental Activities

Expenses and Program Revenues - Governmental Activities



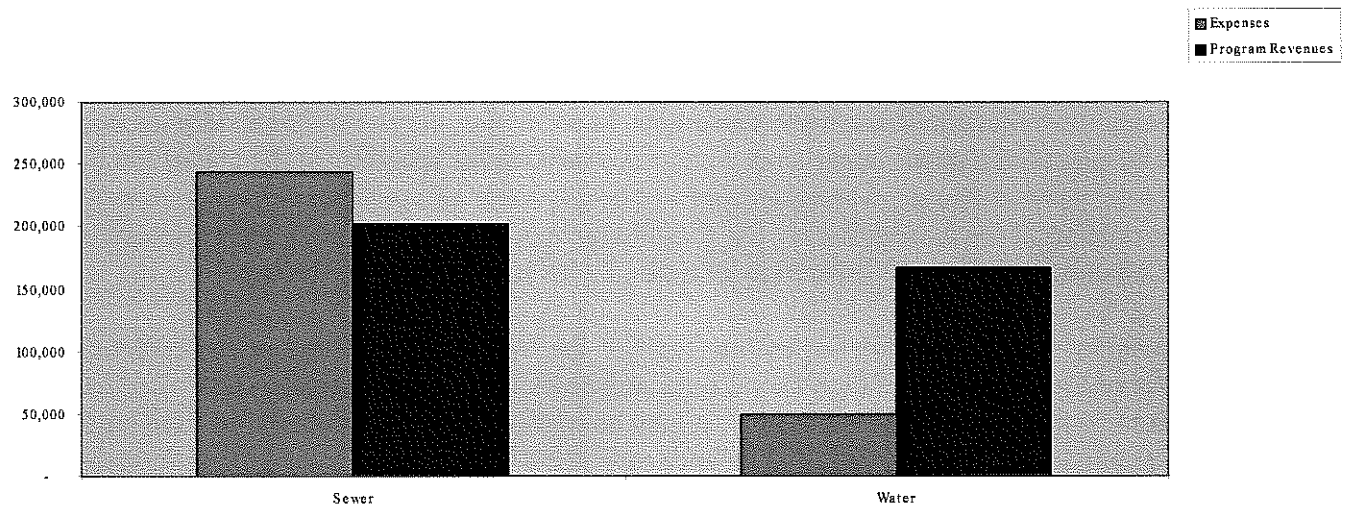
Revenues by Source - Governmental Activities



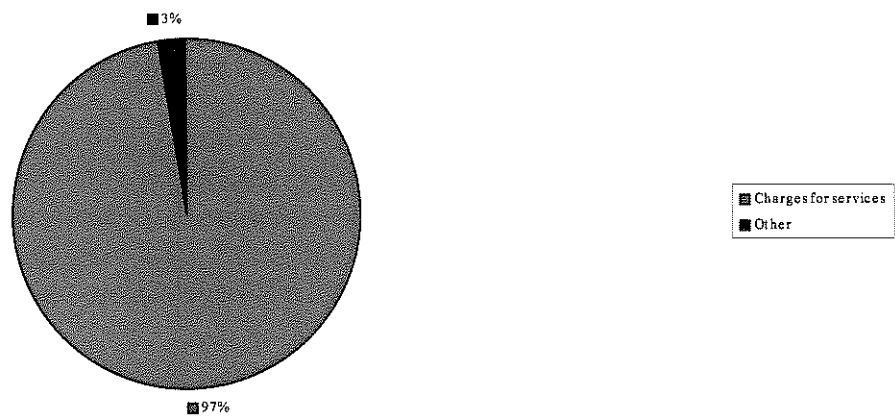
Business-type activities. Business-type activities decreased the Village's net assets by \$14,585, accounting for 0 percent of the total growth in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of approximately \$2,999. Key elements of this decrease are as follows:

- Expenses for business-type activities increased 9% or \$22,561.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$716,192, a decrease of \$195,224 from the prior year balance.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$324,753 which is equal to total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 93 percent of total general fund expenditures.

The fund balance of the Village's general fund decreased by \$81,731 during the current fiscal year.

The major and local street funds have total fund balances of \$226,034, which decreased by \$2,916 during the year. This due to no significant road projects during the year.

The property replacement fund has a total fund balance of \$165,405, which decreased by \$110,577 from the February 29, 2004 balance primarily due to equipment purchases. The balance of this fund is restricted for use as defined by the Village Council.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$212,846 and \$281,648, respectively. The sewer fund had a decrease in net assets for the year of \$36,966, whereas the water fund had an increase of \$22,381. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

During the year, general fund revenues were higher than budgetary estimates and expenditures were less, resulting in an actual increase in fund balance that exceeded the final amended budget amount by \$20,782.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business type activities as of February 28, 2005, amounted to \$3,772,008 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment. Significant improvements/purchases during the year included construction of a public works building, purchase of a snow removal tractor for the airport and infrastructure improvements.

Village of Lakeview Capital Assets (net of depreciation)

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total</u>
Land	\$ 485,908	\$ -	\$ 485,908
Buildings and improvements	322,183	-	311,207
Vehicles and equipment	269,698	7,198	231,934
Infrastructure	<u>230,979</u>	<u>2,511,980</u>	<u>2,742,959</u>
Total	<u>\$1,252,830</u>	<u>\$2,519,178</u>	<u>\$3,772,008</u>

Additional information on the Village of Lakeview capital assets can be found in Note 6 on pages 34-35 of this report.

Long-term debt. At the end of the current fiscal year, the Village had total debt outstanding of \$2,018,715 as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Component unit</u>	<u>Total</u>
Accrued employee benefits	\$8,715	\$ -	\$ -	\$ 8,715
Bonds	<u>-</u>	<u>1,555,000</u>	<u>455,000</u>	<u>2,010,000</u>
Total	<u>\$8,715</u>	<u>\$1,555,000</u>	<u>\$455,000</u>	<u>\$2,018,715</u>

The Village's total debt decreased by \$43,218 during the current fiscal year.

The Village is currently not rated for general obligation bond issuance.

Additional information on the Village's long-term debt can be found in Note 8 on pages 36-37 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2005-06 fiscal year:

- Increased employee wages cost of 3%.
- Increased health insurance cost of 8%.
- Increased property tax revenue of 1%.
- No change in state revenue sharing payments due to state budget issues.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, 315 Lincoln Avenue, P.O. Box 30, Lakeview, Michigan 48850.

VILLAGE OF LAKEVIEW

STATEMENT OF NET ASSETS

FEBRUARY 28, 2005

	Primary Government			Downtown Development Authority Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 588,246	\$ 471,314	\$ 1,059,560	\$ 121,676
Investments	-	146,141	146,141	-
Receivables:				
Accounts receivable (net of allowance)	-	33,285	33,285	-
Due from other governments	62,004	-	62,004	19,931
Due from component unit	26,970	-	26,970	-
Internal balances	20,089	(20,089)	-	-
Inventory	516	-	516	-
Prepaid items and other assets	37,032	-	37,032	26,285
Land	485,908	-	485,908	66,512
Property and equipment, net of accumulated depreciation	766,922	2,519,178	3,286,100	656,542
Total assets	<u>1,987,687</u>	<u>3,149,829</u>	<u>5,137,516</u>	<u>890,946</u>
Liabilities				
Accounts payable	5,950	-	5,950	-
Accrued interest payable	-	27,110	27,110	11,147
Wages payable	12,715	47	12,762	-
Due to primary government	-	-	-	26,970
Noncurrent liabilities:				
Due within one year	1,000	44,000	45,000	15,000
Due in more than one year	7,715	1,511,000	1,518,715	440,000
Total liabilities	<u>27,380</u>	<u>1,582,157</u>	<u>1,609,537</u>	<u>493,117</u>
Net assets				
Invested in capital assets, net of related debt	1,252,830	964,178	2,217,008	268,054
Restricted for:				
Major streets	192,192	-	192,192	-
Local streets	33,842	-	33,842	-
Unrestricted	481,443	494,494	975,937	129,775
Total net assets	<u>\$ 1,960,307</u>	<u>\$ 1,567,672</u>	<u>\$ 3,527,979</u>	<u>\$ 397,829</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 28, 2005

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 10,536	\$ -	\$ -	\$ -	\$ (10,536)
General government	61,589	29,338	-	-	(32,251)
Public safety	154,179	6,699	-	-	(147,480)
Public works	167,325	5,975	119,421	-	(41,929)
Recreation and culture	9,211	-	-	-	(9,211)
Airport	42,929	8,592	-	137,614	103,277
Total governmental activities	<u>445,769</u>	<u>50,604</u>	<u>119,421</u>	<u>137,614</u>	<u>(138,130)</u>
Business-type activities:					
Sewer	243,582	202,405	-	-	(41,177)
Water	149,993	166,998	-	-	17,005
Total business-type activities	<u>393,575</u>	<u>369,403</u>	<u>-</u>	<u>-</u>	<u>(24,172)</u>
Total primary government	<u>\$ 839,344</u>	<u>\$ 420,007</u>	<u>\$ 119,421</u>	<u>\$ 137,614</u>	<u>\$ (162,302)</u>
Component unit					
Downtown development authority	<u>\$ 50,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,212)</u>

Continued

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (138,130)	\$ (24,172)	\$ (162,302)	\$ (50,212)
General revenues:				
Property taxes	236,536	-	236,536	105,056
State	125,872	-	125,872	-
Unrestricted investment earnings	5,906	9,587	15,493	1,389
Total general revenues	368,314	9,587	377,901	106,445
Change in net assets	230,184	(14,585)	215,599	56,233
Net assets, beginning of year	1,730,123	1,582,257	3,312,380	341,596
Net assets, end of year	\$ 1,960,307	\$ 1,567,672	\$ 3,527,979	\$ 397,829

Concluded

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

BALANCE SHEET GOVERNMENTAL FUNDS

FEBRUARY 28, 2005

<u>ASSETS</u>	GENERAL FUND	MAJOR STREETS	PROPERTY REPLACEMENT	LOCAL STREETS	TOTAL
Cash and temporary investments	\$ 210,384	\$ 179,769	\$ 165,405	\$ 32,688	\$ 588,246
Prepaid expenditures	37,032	-	-	-	37,032
Due from other funds	30,266	-	-	-	30,266
Due from other governmental units	38,046	18,729	-	5,229	62,004
Due from component unit	26,970	-	-	-	26,970
Inventory	516	-	-	-	516
<u>TOTAL ASSETS</u>	<u>\$ 343,214</u>	<u>\$ 198,498</u>	<u>\$ 165,405</u>	<u>\$ 37,917</u>	<u>\$ 745,034</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 5,950	\$ -	\$ -	\$ -	\$ 5,950
Salaries and wages payable	12,511	108	-	96	12,715
Due to other funds	-	6,198	-	3,979	10,177
<u>TOTAL LIABILITIES</u>	<u>18,461</u>	<u>6,306</u>	<u>-</u>	<u>4,075</u>	<u>28,842</u>
FUND BALANCE					
Unreserved- undesignated	324,753	192,192	165,405	33,842	716,192
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 343,214</u>	<u>\$ 198,498</u>	<u>\$ 165,405</u>	<u>\$ 37,917</u>	<u>\$ 745,034</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

***RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS***

FEBRUARY 28, 2005

Fund balances - total governmental funds	\$ 716,192
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - land	485,908
Add - capital assets	1,161,445
Deduct - accumulated depreciation	(394,523)

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences	<u>(8,715)</u>
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Net assets of governmental activities	<u><u>\$1,960,307</u></u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND	MAJOR STREETS	PROPERTY REPLACEMENT	LOCAL STREETS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property tax	\$ 155,799	\$ 31,060	\$ -	\$ 49,677	\$ 236,536
Intergovernmental revenue					
State	125,872	88,238	-	31,183	245,293
Charges for services	26,480	-	-	-	26,480
Fines and forfeits	6,118	-	-	-	6,118
Interest earnings	3,672	1,813	2,234	550	8,269
Other	14,508	226	-	909	15,643
TOTAL REVENUES	332,449	121,337	2,234	82,319	538,339
EXPENDITURES					
Current					
Legislative	10,536	-	-	-	10,536
General government	47,354	17,297	-	6,178	70,829
Public safety	132,951	-	-	-	132,951
Public works	95,708	-	-	-	95,708
Recreation and culture	7,998	-	-	-	7,998
Highway and streets	-	29,984	-	18,665	48,649
Other expenditures	54,633	-	-	-	54,633
Capital outlay	-	15,000	137,811	159,448	312,259
TOTAL EXPENDITURES	349,180	62,281	137,811	184,291	733,563
REVENUES OVER (UNDER) EXPENDITURES	(16,731)	59,056	(135,577)	(101,972)	(195,224)
OTHER FINANCING (USES)					
Transfers in	-	-	25,000	40,000	65,000
Transfers (out)	(65,000)	-	-	-	(65,000)
TOTAL OTHER FINANCING SOURCES (USES)	(65,000)	-	25,000	40,000	-
NET CHANGE IN FUND BALANCES	(81,731)	59,056	(110,577)	(61,972)	(195,224)
FUND BALANCES, BEGINNING OF YEAR	406,484	133,136	275,982	95,814	911,416
FUND BALANCES, END OF YEAR	\$ 324,753	\$ 192,192	\$ 165,405	\$ 33,842	\$ 716,192

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES***

FOR THE YEAR ENDED FEBRUARY 28, 2005

Net change in fund balances - total governmental funds \$ (195,224)

Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital asset purchases	486,842
Deduct - depreciation expense	(60,652)

Some revenues and expenses reported in the statement of activities do not provide or require
the use of current financial resources and therefore are not reported as revenues or expenditures
in the funds

Deduct - increase in the accrual for compensated absences	<u>(782)</u>
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Change in net assets of governmental activities	<u>\$ 230,184</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND			VARIANCE
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	POSITIVE (NEGATIVE)
REVENUES				
Property tax	\$ 151,400	\$ 155,798	\$ 155,799	\$ (1)
Intergovernmental revenue				
State	136,050	127,926	125,872	(2,054)
Charges for services	19,700	26,091	26,480	389
Fines and forfeits	1,500	4,380	6,118	1,738
Interest earnings	2,600	2,600	3,672	1,072
Other	4,220	14,008	14,508	500
TOTAL REVENUES	315,470	330,803	332,449	1,644
EXPENDITURES				
Current				
Legislative	10,910	12,352	10,536	1,816
General government	51,219	53,463	47,354	6,109
Public safety	135,362	136,499	132,951	3,548
Public works	52,748	95,173	95,708	(535)
Recreation and culture	11,357	11,241	7,998	3,243
Other expenditures	50,353	59,590	54,633	4,957
TOTAL EXPENDITURES	311,949	368,318	349,180	19,138
REVENUES OVER (UNDER) EXPENDITURES	3,521	(37,515)	(16,731)	20,782
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(65,000)	(65,000)	-
NET CHANGE IN FUND BALANCE	(21,479)	(102,515)	(81,731)	20,782
FUND BALANCE, BEGINNING OF YEAR	406,484	406,484	406,484	-
FUND BALANCE, END OF YEAR	\$ 385,005	\$ 303,969	\$ 324,753	\$ 20,782

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR STREETS FUND**

FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Property tax	\$ 31,060	\$ 31,060	\$ 31,060	\$ -
Intergovernmental revenue				
State	71,500	71,500	88,238	16,738
Interest earnings	800	1,400	1,813	413
Other	-	-	226	226
TOTAL REVENUES	103,360	103,960	121,337	17,377
EXPENDITURES				
General government				
Administration	17,080	17,080	17,297	(217)
Highways and streets				
Construction	15,000	17,000	15,000	2,000
Routine maintenance	16,989	7,238	7,235	3
Traffic services	6,341	4,191	2,721	1,470
Winter maintenance	22,351	23,351	20,028	3,323
TOTAL EXPENDITURES	77,761	68,860	62,281	6,579
NET CHANGE IN FUND BALANCE	25,599	35,100	59,056	23,956
FUND BALANCE, BEGINNING OF YEAR	133,136	133,136	133,136	-
FUND BALANCE, END OF YEAR	\$ 158,735	\$ 168,236	\$ 192,192	\$ 23,956

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

***STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PROPERTY REPLACEMENT FUND***

FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Interest earnings	\$ 3,500	\$ 2,000	\$ 2,234	\$ 234
EXPENDITURES				
Capital Outlay	117,000	117,000	137,811	20,811
REVENUES OVER (UNDER) EXPENDITURES	(113,500)	(115,000)	(135,577)	(20,577)
OTHER FINANCING SOURCES				
Transfers in	25,000	25,000	25,000	-
NET CHANGE IN FUND BALANCE	(88,500)	(90,000)	(110,577)	(20,577)
FUND BALANCE, BEGINNING OF YEAR	275,982	275,982	275,982	-
FUND BALANCE, END OF YEAR	\$ 187,482	\$ 185,982	\$ 165,405	\$ (20,577)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL LOCAL STREETS FUND

FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Property tax	\$ 45,960	\$ 49,677	\$ 49,677	\$ -
Intergovernmental revenue				
State	30,000	30,000	31,183	1,183
Interest earnings	500	500	550	50
Other	-	908	909	1
TOTAL REVENUES	76,460	81,085	82,319	1,234
EXPENDITURES				
General government				
Administration	6,457	6,457	6,178	279
Highways and streets				
Construction	100,000	159,666	159,448	218
Routine maintenance	11,388	4,255	4,253	2
Traffic services	3,732	2,882	1,035	1,847
Winter maintenance	14,393	15,218	13,377	1,841
TOTAL EXPENDITURES	135,970	188,478	184,291	4,187
REVENUES OVER (UNDER) EXPENDITURES	(59,510)	(107,393)	(101,972)	5,421
OTHER FINANCING SOURCES				
Transfers in	-	40,000	40,000	-
NET CHANGE IN FUND BALANCE	(59,510)	(67,393)	(61,972)	5,421
FUND BALANCE, BEGINNING OF YEAR	95,814	95,814	95,814	-
FUND BALANCE, END OF YEAR	\$ 36,304	\$ 28,421	\$ 33,842	\$ 5,421

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

FEBRUARY 28, 2005

	ENTERPRISE FUNDS		TOTALS
	SEWER	WATER	
Assets			
Current			
Cash and cash equivalents	\$ 218,362	\$ 252,952	\$ 471,314
Investments	140	37,001	37,141
Accounts receivable - customers	19,792	13,493	33,285
Due from other funds	324	-	324
Total current assets	<u>238,618</u>	<u>303,446</u>	<u>542,064</u>
Noncurrent			
Restricted investments	54,000	55,000	109,000
Property, plant and equipment, net of accumulated depreciation	1,688,005	831,173	2,519,178
Total noncurrent assets	<u>1,742,005</u>	<u>886,173</u>	<u>2,628,178</u>
Total assets	<u>1,980,623</u>	<u>1,189,619</u>	<u>3,170,242</u>
Liabilities			
Current			
Salaries and wages payable	22	25	47
Accrued bond interest payable	10,903	16,207	27,110
Due to other funds	14,847	5,566	20,413
Total current liabilities	<u>25,772</u>	<u>21,798</u>	<u>47,570</u>
Current liabilities payable from restricted assets			
Bonds payable- current portion	26,000	18,000	44,000
Long-term liabilities			
Bonds payable- net of current portion	831,000	680,000	1,511,000
Total liabilities	<u>882,772</u>	<u>719,798</u>	<u>1,602,570</u>
Net assets			
Invested in capital assets, net of related debt	831,005	133,173	964,178
Restricted for debt service	54,000	55,000	109,000
Unrestricted	212,846	281,648	494,494
Total net assets	<u>\$ 1,097,851</u>	<u>\$ 469,821</u>	<u>\$ 1,567,672</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	ENTERPRISE FUNDS		
	SEWER	WATER	TOTAL
OPERATING REVENUES			
Charges for services	\$ 198,991	\$ 163,203	\$ 362,194
Connection fees and turn on charges	1,500	1,540	3,040
Miscellaneous	1,914	2,255	4,169
TOTAL OPERATING REVENUES	202,405	166,998	369,403
OPERATING EXPENSES			
Salaries and wages	23,935	19,334	43,269
Fringe benefits	6,062	4,914	10,976
Operating supplies	10,784	3,385	14,169
Contracted services	5,454	1,356	6,810
Treatment services	7,635	1,214	8,849
Lab fees	6,904	1,020	7,924
Repairs and maintenance	4,247	(763)	3,484
Utilities	16,083	7,701	23,784
Equipment rental	9,085	4,446	13,531
Administrative allocation	25,946	25,946	51,892
Insurance	2,525	2,133	4,658
Training	445	250	695
Printing and publishing	1,437	1,400	2,837
Membership dues	1,618	558	2,176
Depreciation	65,766	35,429	101,195
TOTAL OPERATING EXPENSES	193,156	113,932	307,088
OPERATING INCOME	9,249	53,066	62,315
NONOPERATING REVENUES (EXPENSES)			
Interest	4,211	5,376	9,587
Interest on bonds	(50,426)	(36,061)	(86,487)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(46,215)	(30,685)	(76,900)
CHANGE IN NET ASSETS	(36,966)	22,381	(14,585)
NET ASSETS, BEGINNING OF YEAR	1,134,817	447,440	1,582,257
NET ASSETS, END OF YEAR	\$ 1,097,851	\$ 469,821	\$ 1,567,672

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY 28, 2005

	ENTERPRISE FUNDS		
	SEWER	WATER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 201,083	\$ 165,921	\$ 367,004
Payments to suppliers	(87,151)	(57,515)	(144,666)
Payments to employees	(30,882)	(20,410)	(51,292)
NET CASH PROVIDED BY OPERATING ACTIVITIES	83,050	87,996	171,046
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payment of bond principal	(26,000)	(18,000)	(44,000)
Purchase of property, plant, and equipment	(17,970)	(48,998)	(66,968)
Payment of bond interest	(48,426)	(36,125)	(84,551)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(92,396)	(103,123)	(195,519)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	4,211	5,791	10,002
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,211	5,791	10,002
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,135)	(9,336)	(14,471)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	223,497	262,288	485,785
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 218,362	\$ 252,952	\$ 471,314
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 9,249	\$ 53,066	\$ 62,315
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	65,766	35,429	101,195
Changes in operating assets and liabilities which provided (used) cash			
Accounts receivable - customers	(1,322)	(1,077)	(2,399)
Due from other funds	116	-	116
Salaries and wages payable	(885)	(606)	(1,491)
Due to other funds	10,126	1,184	11,310
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 83,050	\$ 87,996	\$ 171,046

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Lakeview conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant principals and policies:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Village and its component unit, an entity with which the Village is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the Village. A separate section of the individual funds and component unit statement and schedules provides detailed financial information on the discretely presented component unit.

Discretely Presented Component Unit

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority.

Related Organization

The Village's officials are also responsible for appointing members to the Board of the Village of Lakeview Hospital Finance Authority, but the Village's accountability for this organization does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from the certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2005

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After October 1 of each year, the County pays the Village, and is responsible for collecting, any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the Village.

The *Property Replacement Fund* accounts for monies designated to replace assets of the Village in future years.

The *Local Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the Village.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

The Village reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the Village's water department that provides water services to most residents of the Village on a user charge basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Governmental funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis of accounting which is used to reflect actual results. Budgetary control is exercised at the department level. The Village manager is authorized to transfer budget amounts between line items within departments, however, any supplemental appropriations that amend total expenditures of any department require Village Council resolution. Unexpended appropriations lapse at year-end.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Village considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value at the balance sheet date.

Restricted Assets

Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2005

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial at year end.

Due to/from Other Funds

During the course of its operations, the Village has numerous transactions between funds to finance operations, to provide services, purchase assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), as well as capital assets of component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15-20
Buildings	50
Office furniture and equipment	5-10
Vehicles	5
Public domain infrastructure	20-50
System infrastructure	50

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Compensated Absences

Individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in Village policies.

Accumulated vacation time of governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds have been evaluated and determined to be immaterial to the financial statements as a whole. Consequently, no portion of the liability is reported on the statements of net assets of the individual enterprise funds.

Property Taxes

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 15. Real property taxes not collected as of October 1 are returned to the County for collection, which advances the Village 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2005, the Village carried commercial insurance to cover most risks of losses. The Village has had no claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted on the activity level in the General Fund and the function level in other funds.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2005

During the year ended February 28, 2005, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General government			
Executive – Village president	\$3,818	\$3,921	\$(103)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The captions on the statement of net assets relating to cash and cash equivalents and the amounts in the Total (Memorandum Only) column are as follows:

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>DDA</u>	<u>Total</u>
Cash and cash equivalents	\$588,246	\$471,314	\$121,676	\$1,181,236
Investments – certificates of deposit	-	146,141	-	146,141
	<u>\$588,246</u>	<u>\$617,455</u>	<u>\$121,676</u>	<u>\$1,327,377</u>

	<u>Bank Balance</u>
The bank balances of the Village's deposits were classified as to risk as follows:	
Insured (FDIC)	\$ 154,140
Uninsured, uncollateralized	1,029,585
Total	<u>\$1,183,725</u>

These deposits are in two (2) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Village and a specific fund or common account. They are recorded in Village records at fair value. Interest is recorded when earned.

Investments

State statutes authorize the Village to invest in the following:

- Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2005

- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

4. INTERFUND RECEIVABLES AND PAYABLES

	Due From Other Funds	Due to Other Funds
General Fund	\$30,266	\$ -
Major Street Fund	-	6,198
Local Street Fund	-	3,979
Sewer	324	14,847
Water	-	5,566
	\$30,590	\$30,590

Interfund balances primarily reflect loans made from funds with cash and cash equivalents to those funds requiring temporary cash flow needs.

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended February 28, 2005 for the purposes of property replacement and local street construction respectively are as follows:

	Property Replacement Funds	Local Streets	Total
General Fund	<u>\$25,000</u>	<u>\$40,000</u>	<u>\$65,000</u>

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2005

6. CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2005 was as follows:

	Balance February 29, 2004	Additions	Dispositions	Balance February 28, 2005
Governmental activities				
Capital assets, not being depreciated:				
Land	\$485,908	\$ -	\$ -	\$485,908
Capital assets, being depreciated:				
Buildings and improvements	308,461	123,754	-	432,215
Vehicles and equipment	366,142	127,395	-	493,537
Infrastructure	-	235,693	-	235,693
Total capital assets, being depreciated	674,603	486,842	-	1,161,445
Less accumulated depreciation for:				
Buildings and improvements	110,032	6,850	-	110,032
Vehicles and equipment	223,839	18,633	-	223,839
Infrastructure	-	4,714	-	4,714
Total accumulated depreciation	333,871	60,652	-	394,523
Net capital assets, being depreciated	340,732	426,190	-	766,922
Net governmental activities capital assets	\$826,640	\$426,190	\$ -	\$1,252,830
Business-type activities				
Capital assets, being depreciated:				
Equipment	\$ 97,630	\$ -	\$ -	\$ 97,630
Infrastructure	3,980,474	66,966	-	4,047,440
Total capital assets, being depreciated	4,078,104	66,966	-	4,145,070
Less accumulated depreciation for:				
Equipment	90,065	367	-	90,432
Infrastructure	1,434,635	100,828	-	1,535,460
Total accumulated depreciation	1,524,697	101,195	-	1,625,892
Net capital assets, being depreciated	2,553,404	(34,266)	-	2,519,178
Net business-type activities capital assets	\$2,553,404	\$(34,266)	\$ -	\$2,519,178

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Balance February 29, 2004	Additions	Dispositions	Balance February 28, 2005
Downtown Development Authority				
Land	\$ -	\$ 66,512	\$ -	\$ 66,512
Capital assets, being depreciated:				
Equipment	7,527	-	\$ -	7,527
Infrastructure	633,841	76,209	-	710,050
Total capital assets, being depreciated	641,368	76,209	-	717,577
Less accumulated depreciation for:				
Equipment	-	-	-	-
Infrastructure	46,230	14,805	-	61,035
Total accumulated depreciation	46,230	14,805	-	61,035
Net capital assets, being depreciated	595,138	61,404	-	656,542
Net downtown development authority				
Capital assets	<u>\$595,138</u>	<u>\$127,916</u>	<u>\$ -</u>	<u>\$723,054</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative	\$ 1,820
General government	1,820
Public safety	21,228
Public works	28,506
Recreation and culture	1,213
Airport	6,065
Total depreciation expense – governmental activities	<u>\$60,652</u>
Business-type activities:	
Sewer	\$ 65,766
Water	35,429
Total depreciation expense – business-type activities	<u>\$101,195</u>

7. DEFERRED COMPENSATION PLAN

The Village participates in a deferred compensation plan qualifying under Section 457 of the Internal Revenue Code. The plan is administered by the Massachusetts Mutual Life Insurance Company and is available to all employees. Under the plan, employees can elect to defer a portion of their wages each pay period. After an employee has worked at the Village for two years, the Village also makes an additional matching contribution of up to 5% of the employees' annual wage. The deferred amounts are not taxable to the employees until retirement or separation from employment. All assets of the plan are held in trust for the employees and are not included in the Village financial statements.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

8. LONG-TERM DEBT

The following is a summary of debt transactions of the Village for the year ended February 28, 2005:

	<u>Balance February 29, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 28, 2005</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
Accrued Employee Benefits	\$ 7,933	\$782	\$ -	\$8,715	\$1,000
<i>Business-type Activities</i>					
1967 Sewer Revenue Bonds, due in annual amounts of \$15,000 plus interest at 4.5% through 2007.	45,000	-	15,000	30,000	15,000
1986 Sewer Revenue Bonds, due in amounts ranging from \$4,000 to \$13,000 plus interest at 6.125% through 2026.	227,000	-	6,000	221,000	6,000
1986 Series B Sewer Revenue Bonds, due in annual amounts ranging from \$1,000 to \$16,000 plus interest at 6.125% through 2026.	173,000	-	1,000	172,000	1,000
1982 Water Revenue Bonds, due in annual amounts ranging from \$10,000 to \$35,000 plus interest at 5.0% through 2020.	395,000	-	15,000	380,000	15,000
2000 Water Supply System Revenue Bonds, due in annual amounts ranging from \$3,000 to \$19,000 plus interest at 5.125% through 2040.	321,000	-	3,000	318,000	3,000
2001 Sanitary Sewer System Revenue Bonds, due in annual amounts ranging from \$4,000 to \$25,000 plus interest at 5.0% through 2041.	438,000	-	4,000	434,000	4,000
Total Business-type Activities	<u>1,599,000</u>	<u>-</u>	<u>44,000</u>	<u>1,555,000</u>	<u>44,000</u>

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>Balance February 29, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 28, 2005</u>	<u>Due Within One Year</u>
<i>Component Unit</i>					
2001 Downtown Development Bonds					
Due in annual amounts ranging from \$15,000 to \$40,000 plus interest at 4.1% through 2021.	\$ 470,000	\$ -	\$15,000	\$ 455,000	\$15,000
Total Long-term Debt - Reporting Entity	<u>\$2,069,000</u>	<u>\$782</u>	<u>\$59,000</u>	<u>\$2,018,715</u>	<u>\$60,000</u>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of February 28, 2005 are as follows:

<u>Year Ending February 28,</u>	<u>Business-Type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$44,000	\$82,266	\$15,000	\$26,603
2007	47,000	80,058	20,000	21,988
2008	32,000	77,676	20,000	21,260
2009	40,000	75,921	20,000	20,410
2010	46,000	73,792	20,000	19,540
2011-2015	271,000	329,624	120,000	202,881
2016-2020	325,000	248,667	160,000	210,420
2021-2025	222,000	171,834	80,000	88,260
2026-2030	145,000	114,225	-	-
2031-2035	148,000	79,442	-	-
2036-2040	191,000	36,832	-	-
2041	44,000	1,250	-	-
Total	<u>\$1,555,000</u>	<u>\$1,371,587</u>	<u>\$455,000</u>	<u>\$251,362</u>

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VILLAGE OF LAKEVIEW

GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
LEGISLATIVE	\$ 10,910	\$ 12,352	\$ 10,536	\$ 1,816
GENERAL GOVERNMENT				
Executive - village president	3,711	3,818	3,921	(103)
Elections	1,010	1,127	1,078	49
General services administration				
Village clerk	9,796	10,796	9,525	1,271
Village treasurer	4,468	4,788	4,540	248
Cemetery	25,493	26,493	22,821	3,672
Zoning	6,741	6,441	5,469	972
TOTAL GENERAL GOVERNMENT	51,219	53,463	47,354	6,109
PUBLIC SAFETY				
Police	135,362	136,499	132,951	3,548
PUBLIC WORKS				
Department of public works				
Equipment rent	(75,719)	(79,031)	(68,451)	(10,580)
Operations and administration	70,743	84,201	78,739	5,462
Sidewalks	8,969	8,803	8,646	157
Storm drains	2,000	31,274	29,274	2,000
Street lighting	14,000	14,000	13,550	450
Environmental control	32,755	35,926	33,950	1,976
TOTAL PUBLIC WORKS	52,748	95,173	95,708	(535)
RECREATION AND CULTURE				
Village grounds	11,357	11,241	7,998	3,243
OTHER EXPENDITURES				
Tamarack Lake project	7,950	7,956	7,956	-
Hydrant rental	7,000	7,000	7,000	-
Airport maintenance	34,403	41,821	36,864	4,957
Other functions	1,000	2,813	2,813	-
TOTAL OTHER EXPENDITURES	50,353	59,590	54,633	4,957
TOTAL EXPENDITURES	\$ 311,949	\$ 368,318	\$ 349,180	\$ 19,138

VILLAGE OF LAKEVIEW
BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY
FEBRUARY 28, 2005

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 121,676
Prepaid expenditures	26,285
Due from other governmental units	<u>19,931</u>
<u>TOTAL ASSETS</u>	<u>\$ 167,892</u>
<u>LIABILITIES AND FUND EQUITY</u>	
LIABILITIES	
Due to primary government	<u>\$ 26,970</u>
TOTAL LIABILITIES	<u>26,970</u>
FUND EQUITY	
Fund balance	
Unreserved - undesignated	<u>140,922</u>
TOTAL FUND EQUITY	<u>140,922</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 167,892</u>

VILLAGE OF LAKEVIEW

***RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DOWNTOWN DEVELOPMENT AUTHORITY***

FEBRUARY 28, 2005

Fund balances - component unit	\$ 140,922
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Amounts reported for component unit activities in the statement of net assets are different because:

Capital assets used in component unit activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	784,089
Deduct - accumulated depreciation	(61,035)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - interest payable on bonds	(11,147)
Deduct - bonds payable	<u>(455,000)</u>

Net assets of component unit activities	<u><u>\$ 397,829</u></u>
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VILLAGE OF LAKEVIEW

***STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DOWNTOWN DEVELOPMENT AUTHORITY***

FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>GENERAL FUND</u>
REVENUES	
Taxes	\$ 105,056
Interest and rents	<u>1,389</u>
TOTAL REVENUES	<u>106,445</u>
EXPENDITURES	
Current operations	
General government	20,857
Capital outlay	134,976
Debt service	
Principal retirement	15,000
Interest and fiscal charges	<u>22,603</u>
TOTAL EXPENDITURES	<u>193,436</u>
NET CHANGE IN FUND BALANCE	(86,991)
FUND BALANCES, BEGINNING OF YEAR	<u>227,913</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 140,922</u></u>

VILLAGE OF LAKEVIEW

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED FEBRUARY 28, 2005

Net change in fund balances - component unit	\$ (86,991)
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Amounts reported for component unit activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital asset purchases	142,721
Deduct - depreciation expense	(14,805)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	15,000
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Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues or expenditures in the funds

Add - decrease in accrued interest payable on bonds	<u>308</u>
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Change in net assets of governmental activities	<u><u>\$ 56,233</u></u>
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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

April 7, 2005

Honorable President and
Members of the Village Council
Village of Lakeview, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Village of Lakeview, Michigan, as of and for the year ended February 28, 2005, and have issued our report thereon dated April 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Lakeview, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Lakeview, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Village Board, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



REHMANN ROBSON

Certified Public Accountants

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April 7, 2005

To the Village of Lakeview Board
Village of Lakeview
Lakeview, Michigan

In planning and performing our audit of the financial statements of the Village of Lakeview for the year ended February 28, 2005, we considered the Village's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated April 7, 2005 on the financial statements of the Village of Lakeview.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with various personnel, and we will be pleased to discuss it in further detail at your convenience, perform any additional study of these matters, or to assist management in implementing the recommendations.

Our comments are summarized as follows:

ACCOUNTING POLICIES AND PROCEDURES

During our audit we noted that a large portion of the payroll, accounts payable, general ledger maintenance, banking and monthly reconciliation processes has been assigned to a single individual within your organization. While budget restraints and the nature and size of your organization drive much of your organizations structure, we suggest that implementing the following policies will improve your internal control structure:

- We suggest that the monthly bank account reconciliations be reviewed and approved by the Village Manager or a Member of the Board.
- We suggest that bank statements be directed to and subject to review by the Village Manager or a Member of the Board.

DEPOSIT AND INVESTMENT RISK DISCLOSURE

The Governmental Accounting Standards Board has issued GASB Statement No. 40, "Deposit and Investment Risk Disclosure." This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The timetable for implementing this statement is for fiscal years beginning after June 15, 2004. Some of the highlights of the new model include:

- Limiting the disclosure requirements currently required by GASB Statement No. 3 regarding deposit and investment custodial credit risk.
- Requiring disclosure of credit and interest rate risk information for specific investments.
- Disaggregation of deposits and investments for disclosure purposes.

This statement may represent a significant change in how your government discloses its deposit and investment balances at year-end. We recommend you begin a process of determining the key implementation issues and assessing any modifications needed to properly implement the new statement.

POLICIES

During our audit we noted that the Village had not prepared and approved a policy related to ACH transactions. Recent state law has mandated governmental entities to have Board approved policies over these transactions when ACH transactions are utilized. We suggest that the Village prepare and adopt policies to comply with current state requirements.

ENGAGEMENT OBSERVATION

During our audit engagement we received information necessary to compile the financial statements, supporting schedules, supporting documents, and related information in a timely, effective and efficient manner. Your staff's assistance in the performance of the audit allowed us to leverage both yours and our investment in technology. We believe that your staff helped facilitate performance of an efficient and effective audit and we would like to thank them for their efforts and assistance that is truly appreciated.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is centered below the text.